



ORIGINAL
FILE COPY

Florida Cable Telecommunications Association

Steve Wilkerson, President

August 14, 1996

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: DOCKET NO. 920260-TL

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are an original and fifteen copies of Florida Cable Telecommunications Association, Inc.'s ("FCTA") Direct Testimony of Jill Nickel Butler. Copies have been served on the parties of record pursuant to the attached certificate of service.

Please acknowledge receipt and filing of the above by date stamping the duplicate copy of this letter and returning the same to me.

Thank you for your assistance in processing this filing.

Yours very truly,

Laura L. Wilson
Laura L. Wilson
Vice President, Regulatory Affairs &
Regulatory Counsel

Enclosures

cc: Mr. Steven E. Wilkerson
All Parties of Record

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DIRECT TESTIMONY OF
JILL NICKEL BUTLER
ON BEHALF OF
FLORIDA CABLE TELECOMMUNICATIONS ASSOCIATIONS
DOCKET NO. 920260-TL

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jill Nickel Butler. My business address is 2773 Red Maple Ridge, Tallahassee, Florida 32301.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Florida Director of Regulatory Affairs for Time Warner Communications.

Q. PLEASE STATE YOUR BACKGROUND AND QUALIFICATIONS.

A. I earned a Bachelor of Science degree in mathematics from the Florida State University in 1980. Since then, I have enhanced my training and education by undertaking graduate level studies in economics at the Florida State University from 1980 to 1983, and additional classes at Tallahassee Community College since then. I have also attended numerous industry schools and seminars covering a wide variety of technical and regulatory issues. I joined the staff of the Florida Public Service Commission (Commission) in 1993, as a Planning and Research Economist. My primary responsibilities were analyzing local exchange tariff filings and generic telecommunications policy recommendations,

1 such as the change in the local payphone end user rate. From 1984 until
2 1995, I served as Bureau Chief of Telecommunications rates, policy and
3 planning, where I had oversight for all major telecommunications rate and
4 policy recommendations.

5
6 In 1995 joined Time Warner Communications, with primary responsibility
7 for all Florida regulatory matters, including dealing with the Florida Public
8 Service Commission on local interconnection, universal service, and
9 ALEC requirements.

10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. I am testifying on behalf of the Florida Cable Telecommunications
13 Association (FCTA) in support of its proposal concerning the disposition
14 of a portion of the unallocated \$48 million in BellSouth rate reductions
15 scheduled for October 1, 1996.

16

17 **Q. PLEASE SUMMARIZE FCTA'S PROPOSAL.**

18 A. A portion of the \$48 million in rate reductions should be utilized to
19 eliminate the non-recurring charges for the interconnection trunks that
20 Alternative Local Exchange Telecommunications Companies (ALECs)
21 order from BellSouth and non-recurring charges for dedicated, switched
22 circuits ALECs order out of the BellSouth Access Tariff.

23

24 **Q. HOW MUCH OF THE \$48 MILLION IN UNALLOCATED RATE**
25 **REDUCTIONS DOES THIS PROPOSAL UTILIZE?**

1 A. The amount will be quantified through the discovery process, as only
2 BellSouth has the information necessary to answer this question at this
3 time. I must review this data before I can fully answer and should
4 reserve the right to comment upon this in greater detail in rebuttal or at
5 hearing.

6

7 **Q. WHY SHOULD THE COMMISSION ADOPT THIS PROPOSAL?**

8 A. To answer this question, a little background on how we got to where we
9 are today is in order. In early 1994, this case was on the eve of a
10 hearing in which BellSouth earnings were being investigated and its
11 customer practices were being scrutinized because of several grievous
12 allegations. BellSouth signed a Stipulation and Implementation
13 Agreement to settle all issues in these cases. Part of that agreement
14 included BellSouth's commitment to reduce its prices (by millions of
15 dollars) annually through 1996. The scheduled October 1, 1996
16 reductions that are the subject of this hearing are the last in the series
17 of price reductions to which BellSouth committed to settle its cases.

18

19 In 1994 BellSouth enjoyed a monopoly for local exchange service and
20 the Commission was acting as a surrogate for competition to protect the
21 public from monopoly abuses. BellSouth was operating under a form of
22 rate of return regulation. This enabled the Commission to limit a
23 company's earnings by making adjustments to the company's earnings
24 cap. In a rate case situation, if a company is earning in excess of a
25 reasonable rate of return (as determined by the Commission), specific

1 rates will be reduced, targeted at services for which the Commission
2 determines are appropriate.

3

4 With the revisions to Chapter 364, Florida Statutes (1995), the
5 regulatory environment has changed. BellSouth has elected price
6 regulation, and while the Commission's role continues to be exercising
7 exclusive jurisdiction to protect the public interest, competition is
8 intended to be the primary means of constraining BellSouth's prices in
9 the future. Without competition, price regulation amounts to a huge
10 giveaway to BellSouth. If the Commission embraces and encourages
11 competition, customers will have alternatives and will not be forced to
12 endure inappropriate behavior by a monopolist.

13

14 The Commission has the opportunity in this proceeding to implement rate
15 reductions in a manner that encourages the consumer choices the
16 Legislature intended in exchange for price regulation. The current
17 nonrecurring charges for trunk ordering do not encourage competition,
18 which is why I have recommended their elimination, or in the alternative,
19 sharp reduction. Compared to our experience in other states, BellSouth's
20 prices for trunk ordering are several orders of magnitude higher.

21

22 Other providers have benefited from BellSouth's price reductions in this
23 case. IXCs will have had \$140 million in access reductions; payphone
24 providers have had price reductions on key elements important to them;
25 end users have also had refunds and rate reductions. A portion of this

1 rate reduction should be used to remove a very expensive barrier to
2 entry. The prices to which I am referring are the nonrecurring charges
3 for trunk side service in Section E6.8.1 of BellSouth's access tariff.
4 Each trunk group incurs a nonrecurring charge of \$915 for the first trunk
5 and \$216 for additional trunks. Even ordering out of BellSouth's
6 interstate tariff, which is permitted by Time Warner's agreement with
7 BellSouth (but which BellSouth has not yet implemented) has the same
8 first trunk rate of \$915 and an additional trunk rate of \$100.

9
10 Further, BellSouth's continued insistence that ALECs purchase services
11 out of the access tariff, which was designed to service IXCs and not
12 ALECs, perpetuates BellSouth's position that local exchange providers
13 are access customers rather than co-carriers. This difference in
14 treatment between two incumbent LECs (which is typically a bill and
15 keep arrangement) versus between an ALEC and an incumbent LEC (for
16 which BellSouth has taken a usage-sensitive position), tends to support
17 this notion, to the detriment of local competition.

18
19 Quite frankly, we expect that BellSouth and the other incumbent LECs
20 will do all that they can to keep ALECs from competing. However, the
21 area of nonrecurring charges is one that we can identify right now, and
22 is one that the Commission has the ability to change. I urge the
23 Commission to use this opportunity to encourage local competition.

24

25 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

1 A. Yes, it does.

2

CERTIFICATE OF SERVICE
DOCKET NO. 920260-TL

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by Hand Delivery(*) and/or U.S. Mail on this 14th day of August, 1996 to the following parties of record:

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